

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

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Jacob: Hello everyone, welcome to another episode of The Future of Work podcast. My guest today is Farooq Kathwari. He is the CEO of Ethan Allen. Farooq, thank you for joining me.

Farooq Kathwari: Oh, it's a pleasure.

Jacob: So, I have your brand new book here in front of me, and actually I don't think it's out yet. I have the advanced reader's copy. When is it actually coming out? I think September of this year, right?

Farooq Kathwari: It's coming September 3rd, is the release date.

Jacob: Okay. September 3rd. So I got a little bit of a preview for it, and I had a chance to go through it. Really, really fascinating book, with some great stories that I'm hoping we can get into, but maybe we can start off with a little bit of background information about you and Ethan Allen as a company.

Farooq Kathwari: Well, I grew up in the beautiful mountains of Kashmir, and at age 20, ended up in beautiful Brooklyn, New York. I went to school at night, at New York University, worked during the days. In fact, my first job was, I saw an ad, it said "bookkeeper needed" down at Canal Street, downtown Manhattan. I asked my class fellows, I said, "What does a bookkeeper do?" They said "don't apply," because I had never even seen a calculator. But I did, and I somehow convinced, or lucky, the small little printing company with two real good people, Richard King and Jessie Isaacson. Sally was the lady who took care of the office, and Abe printed envelopes. I know those names like yesterday.

And anyway, I somehow got the job, and got going. Going back a little bit, in Kashmir, it also is an area of conflict. It's an area where our family was got, unfortunately, involved with a conflict. I, along with my family, became refugees. I was just under 5 years old. So that's an element that, of course, helps you, and changes your personality.

My family also was involved with arts and crafts. They were great merchants. From my mother's side, my great-grandfather was involved with getting what's called pashmina wool from Tibet and other places. My grandfather and great-

grandfather were involved with getting arts and crafts from the silk route. So I sort of had a background of looking at arts and crafts.

As a student, my main focus was sports. I was a captain of the cricket team. Now the cricket is an interesting game in which the captain plays with the team, strategizes with the team, moderates the team. So I spent most of my time playing cricket, and because of that, I did not become a doctor or an engineer, which my family wanted me to. I studied English literature and political science, and with that background, came to America.

And when I was working at a printing company, my grandfather and father sent me 12 wicker baskets of arts and crafts and said, "Sell them, that will help you in your school."

Well, we had a lecture from the chairman of Bloomingdale's, Martin Traub. So I called his office, for 10, 12 days, every day, and finally he got tired and saw me, and Bloomingdale's became a customer. And I said, "If Bloomingdale's, why not Lord and Taylor?" Why not others? So I started developing an entrepreneurial business, going to school at night, working during the days.

Farooq Kathwari:

And after working at the printing company, the folks who owned it said, "You know, you learned enough of accounting and bookkeeping, why don't you work on Wall Street?" NYU Business school was near Wall Street. I asked them what would I do on Wall Street? They said, "Tell them you want a job as a financial analyst." Of course, I had no idea. I went to the first building on Wall Street, walked up, and got a job at Bear Stearns, as a junior financial analyst.

A year later, I got recruited by the Rothschilds of Europe, had set up an investment company, and it was there that, one of my associates knew that on part time I was in arts & crafts, said, "I know the founder of Ethan Allen,"... Ethan Allen was in Manhattan at that time... and said, "Come and I'll take you there." Which he did, and Nat Ancell was one of the founders. He brought in one of merchants, said, "This young man is from Kashmir, do we get anything from there?" She said, "Yes, we get this fabric, hand-embroidered fabric, never comes on time, always a problem." He looked at me and said, "You can help?" I said, "Absolutely." I had no idea.

But I ended up in the fabric business, and in business with Ethan Allen. Then I said, "Ethan Allen? Why not others?" And that's how I got my association with Ethan Allen. I did other things with them, and then, few years, I came to know the founder, and he asked me to join Ethan Allen. And at that time Ethan Allen produced furniture. We just sold it to his licensees, but they purchased other products like lamps, pictures, mirrors, everything else from others. So I suggested, "Let's set up partnership, and my company will develop all these products from all over the world." And he agreed.

I was really young, started a partnership with Ethan Allen, which later on, led to my company merging with Ethan Allen. I was still in my 30s or so. I became the head of Ethan Allen, the president of Ethan Allen.

Farooq Kathwari: It was, of course, a great courage of this person, of Nat Ancell, the founder, to take this person named Farooq, from a far away place, and give him the responsibility of running a great, iconic, American brand, at that time, with 30 manufacturing sites in the Northeast, from Maine to Vermont and New York, Pennsylvania, to Virginia, to Carolinas, and right up to California. Also, having all of the licensees, who are pretty tough, independent entrepreneurs who ran Ethan Allen Galleries, as they were called. And here I come in. And now, since 1985, I've been the president of this company.

Jacob: How many people are at Ethan Allen now?

Farooq Kathwari: We have 5200 people who directly work for Ethan Allen. We still manufacture 75% of our products in North America. Now, we had to completely take a look at our manufacturing. We had to take a look at talent at all levels because we were impacted, like everybody else, by globalization, which led to, what I say, commoditization, and then technology. All these three elements had impacted every element of an enterprise today, all over the world, but especially right here in the United States. Globalization brought in cheaper products from overseas, especially Southeast Asia and China. 70% of manufacturing of furniture that was done in the United States left the United States.

Globalization also changed the workplace, and hundreds and thousands of work people working in smaller factories or stores, went out of business, because now, globalization created commoditization, big boxes. That happened in Walmart, changed the nature of the grocery business. Home Depot and Lowes changed the nature of hardware stores. And similarly, big box retail has changed the furniture industry, both manufacturing and retailing. So we had to confront with that. We had to develop a strategy, because the whole workplace has changed. The way we did business was changing, so we decided that we would maintain manufacturing in North America.

Now, to do that, we decided that we would concentrate our manufacturing in much fewer areas, and also look at south of the border. I looked at going overseas, to off shore, but I said, "No, lets stay in the North American continent." So we now concentrate our wood manufacturing in Vermont. We have a sawmill is close to all the forests. And our upholstered furniture, which is chairs and sofas and all of that, in North Carolina. But we could not have done that without also establishing a large operation in Central Mexico. We started with cutting and sewing because that trade was vanishing in America, and now we have 600,000 square feet and about a thousand people there. We also, then, decided that we also have to supplement our wood products, and we established a plant in Honduras.

Farooq Kathwari: Now the important thing of these is that we decided that we would create great working environment for our associates, whether in the United States or in these other parts of North America. For instance, when I went to Mexico, it was actually a small plant, 40,000 square feet, was actually run by a former American Air Force Officer, who had taken his family to visit Central Mexico, state called Guanajuato, beautiful state in the middle of the country. When I looked around, people were smiling. I liked that. That means the work environment is good. Many places I go, people don't even raise their heads.

So I asked Jim, I said, "Jim, what of my mental and safety policies do you follow?" He said, "We follow the Mexican law." I thought about it. I said, "How about if you follow similar policies we follow in Vermont?" He was surprised. He said, "People come here so they don't have to do it." I said, "Let's do it." Well, 14-15 years later, we were just a few months back declared as the best, or one of the best, places to work in Mexico. We have doctors, a medical facility, we run about 30 buses to transport people, we have healthy food, healthy environment, so that has resulted in great quality, stability of people.

And similarly, when we went to Honduras, which was seven or eight years back, we started from base zero. There was nobody working there. I'd heard, read about, Honduras being one of the dangerous places in the world. But we went there, and we were able to establish an operation which today has approximately 500 people, and we have been given a designation for the last three or four years as the best health clinic in the business in Honduras. Similarly, the workplace environment in North Carolina where we have also medical clinics. In Vermont, we have received the highest recognitions from environmental agencies for sustainability. All of those things are tremendously important for the welfare and the health of our people.

So in summary, just the focus that we have had in transformation of Ethan Allen from 30 manufacturing to what we have today.

Jacob: I'm curious how your background shaped how you approach, kind of, work in leadership today, because I know, for me for example, I come from an immigrant family. They came from the Republic of Georgia, and migrated eventually to the United States, after going through Italy and Australia, and ultimately ended up here. Coming from an immigrant background, do you think that shaped your approach to work in leadership? Do you see a difference, for example, in how immigrants approach work versus how people in the U.S. who are born and raised here approach work? Because personally, I notice a lot of differences. I'm curious if you notice some differences.

Farooq Kathwari: Well, the word, when you say immigrant, you can also use the word entrepreneur.

Jacob: I like it.

Farooq Kathwari: When you leave your home, when I came here with enough money for, I think about five or six months to survive, well, you have to be entrepreneurial. So immigrants, by nature, who leave their homes, who travel, have more of an entrepreneurial attitude, because not everybody from every other world leaves. It's a few people who leave. They've got to have that DNA to be able to leave, to take risks. Immigrants also take risks.

Jacob: I also feel like, and some people listening to this might not agree with me, but I also feel like immigrants, sometimes they don't complain as much, and sometimes they work harder. I sometimes look at either friends or people that I know who get frustrated by certain things. Somebody tells them no and they easily shut down or get upset and get frustrated. Whereas, I don't know, my mentality, and at least for a lot of my entrepreneurial friends that I've seen, it's just a different mentality. I don't know if it's like a gratitude thing, or that entrepreneurial mindset thing, or what it is, but I feel like it's almost a little bit of a different work ethic.

Farooq Kathwari: It is a question about the fact that you have to survive. You have to make it happen. That requires an attitude of hard work. That requires the fact that you have to take risks. Immigrants take risks. They work harder. They have to prove themselves. Always an exception, some folks may not do it. But generally speaking, as I said, immigrants, by nature, are entrepreneurs.

When I came in, you know, I also had a different attitude. I had come in from an area where I was involved with student protests. I was involved with captain of a sports team. Also, came from the mountains where everybody is treated with a lot of dignity. I didn't come from a big, huge, city. Everywhere in the mountains when you meet somebody, you shake hands, you look at them in the eyes. In fact there's a special greeting. I was just actually two weeks back in Kashmir, as I said, hiking. People look in the eyes and they say three words. First in Kashmiri it is called [Kashmiri 00:15:56], which means "Do you have strength?" Second is, [Kashmiri 00:16:02], "Are you well? Is your family well?" Third is [Kashmiri 00:16:12], "Are you contented?" Those are three words that people exchange, they ask each other. They don't share all kinds of sentences.

So I came from an area where people didn't say much, but everybody was treated with respect and dignity. In fact, I was in Kashmir two weeks back attending a family wedding. It's a big affair. But everybody sits together and eats together, whether you are a worker, whether you are the so-called servant, or a big shot. That happens in many places. I came from an area where people were treated with dignity and equality. Now we had lots of peripheral problems. So when I came to New York, I had never seen a subway. The second day I had to take a subway from Queens to Manhattan, and I was told it was going to go underground. My first reaction was, how are we going to breathe? So I did feel like I had a problem breathing.

Then I saw, unlike what I'd seen in some movies of cowboys... I liked Western movies and Hollywood... I didn't see that. I saw, in the subway, people who

were ordinary people like me. I said, "They're no different than me. They're human beings, and I am going to treat them the same way I treated people in Kashmir." In fact, it was always great, but it also created little issues because I had the habit, and still do, I would the subway ask someone, "Hi, how are you?" I would shake their hands. You know, 90% of the people are okay, but 10% got scared. Because they're not used to it. So I've always felt that treating people with dignity has got to be also part of your DNA and makeup. That has, throughout my life, I've been very fortunate.

Jacob: Why do you think that... First of all I totally agree with you. I think that's just a basic essential of how leaders, and just how people in general, should treat one another. But it seems today that a lot of employees, based on a lot of the research that's out there, they're disengaged, they're unhappy at work, they're frustrated with their leaders, with their bosses. I wonder if you have any thoughts on why that's the case, how that happened? Why is the workplace, now, not that kind of a place? The way it is on the mountains.

Farooq Kathwari: Well, I tell you this, that when I first became president of Ethan Allen, I went to Vermont. We had over 1000 people working there, in two big plants. So our president at that time... I had taken his job, but he became a vice chairman, a wonderful person. He was from New England. A thousand people were gathered, he introduced me to them. I had met them before but now I'm the president. So they're looking at me, this person coming from this place called Kashmir, and a name like Farooq. Who is he?

So I looked at them and I said, "You know, we have something very much in common. We have a similar saying, "That most of the problems of the world have been created by flatlanders." They said, "Great, you're one of us." Then I saw something else. I saw, and that was a case of manufacturing and industry at that time, which was the leaders, management said, "It's my way or the highway." Or, "If it ain't broken, don't fix it." I said, "No, we've got to fix it before it breaks, and we've got to bring people together.'

So I created some kind of a major issue. That is, I invited 5000 of our factory workers to come to our headquarters, 300-400 at a time, to Danbury, Connecticut. It was never done. I'm talking to people from Oklahoma, people from Maine, from western New York, from the Blue Ridge Mountains, they came 300-400 at a time. I wanted to talk to them. And the message I gave them was that, with our leaders were there, I said, "The main job of a leader is to help their people become better. If the leaders don't do that, people have a right to revolt." Our managers became upset and said, "You're telling them to revolt?" I said, "No, only if you don't help them become better." Now that's a very critical factor in leadership. Leaders don't think that their job is to make people better.

That led me to, as I'd brought in lots of people I had from retail. I've covered some of those in my book. I thought about it. I said, "I'm going to develop some common sense, leadership principles." So I wrote them down, and for the last, now, 35 years, or so, 35 years plus, these leadership principles have guided us.

And I must tell you this: Every year, I ask all our leaders to write an essay to me, a self-assessment of how they have conducted their leadership following the leadership principles.

Farooq Kathwari: Now the leadership principles. I'm sure that you've seen it in the book. The first one is that the leaders must have self-confidence. They must also empower people. If you don't empower people, you yourself don't have self-confidence.

The second principle is hard work. If leaders don't work hard, how're you going to ask your people to work hard?

Third principle is excellence in innovation. You have to have a passion for being the best. Especially in today's world.

The fourth principle is accessibility. Leaders have to be accessible. When I go around, people are shocked. When they walk around here, how many people come to me and shake my hand, some even give me hugs, and that happens in factories. I treat them with respect. But if a leader doesn't treat the people with respect, especially those folks who are at the bottom, you've got to treat them with more respect than the folks who are a little bit higher up. When that happens, it sets a standard.

Our fifth principle is customer focus. Customer is number one. You've got to take care of them.

Then the other principle is prioritization. I would think constantly about priorities, because not everything is that important. The relative importance of priorities is tremendously important.

For instance, on a weekly basis, I have watched 60 of our leaders around the country, and like in Mexico, they have to write a report. Every week. All of them, I didn't tell them, but by midnight Sunday they all sent it. What they write about is... the first thing they will talk about is talent. What have they done to improve talent? The second thing they have to write about is what have they done to improve marketing? I define marketing as being internal marketing and external marketing. Internal marketing is critical. Third principle they have to write about is what are they taking steps to improve service?

Jacob: So wait, really quick question before you jump to that one. Can you talk briefly about internal and external marketing and what you mean by each of those?

Farooq Kathwari: Well see, a lot of folks in business think that external marketing means advertising, television ads, and all that stuff is critical. It is important, but they don't spend time in seeing how they're going to market to their own people. What message are they creating? How do they motivate their people? That's internal marketing. And I have given that as much importance as external marketing.

Farooq Kathwari:

Then we go into the fourth is technology. What steps are they taking in technology? Technology is becoming tremendously important. Every element from manufacturing to retail. For instance, right now we have 600 of our interior designers chatting online, 3D, virtual reality. Ten years back we didn't know those words. The fifth one is social responsibility. They have to write on what have they done to improve social responsibility, from manufacturing to logistics. We've got warehouses. We've got, at least that we operate, over 250 different locations. Social responsibility is tremendously important at all different levels. This helps us. These kinds of communications, is tremendously important.

The last one that most people that don't completely discuss, is the principle of justice. I use the principle of justice... in business, people don't think. Justice is tremendously important. That's why when I talked about what we have done in Mexico, in Honduras, what we do all over the place. Now, your question about the fact, has this, have the people changed? No, people have not changed. People have been running this enterprise for 35 years. People are the same as long as you treat them with dignity. And if the leaders work hard, they all work hard.

Our people here work so hard. It's not because of age. I've got folks who have been here 40 years, and I have people here who have joined, you know, last year. They all work hard when the leaders work hard. If the leaders don't work hard, the people don't work hard.

Jacob:

Yeah, I couldn't agree more. I wanted to ask you about this report that they send you. So is it an email that they send you every week? How many leaders are sending this to you? Are these like a couple paragraphs? And also, do you read all of these?

Farooq Kathwari:

No, these are sent by email. They generally range from one page to two pages. I read all of them, and I answer every one of them. And a lot of these people don't report to me. Basically, they send all these in. The folks who don't report to me, the only comments I make are to praise them on something they've done. Because you see, another principle of a leadership is this, and I have it in my wallet. A couple of sayings. One saying is find something good and praise it. If you criticize people first, then praise them, forget it. They're not listening to praise. They're only listening to the criticism. Human nature. It is the way you do it with your children, how you've got to do it with your associates.

Sixty people write to me, maybe 10 or 14 of them report to me, the rest don't report to me. I don't read them to say if you have done something wrong. If it is something good, I praise it. Just a sentence. And you know what? Every human being wants a little praise. It's in our DNA. You have to say, "Thank you." "Good job." "Keep it up, I'm glad what you've done." If there're issues, I want the folks that they report to, let them take care of that. I don't want to interfere, I want to praise them and when you do that, if you praise people first, then they are willing to listen to criticism.

Jacob: I like that advice. Focus on the praise and not so much on the criticisms. So I know I'm probably asking more details than some people want to know, so 60 emails you get a week from all these leaders. Are they just saying, "Hey Farooq, how's it going? Here's my weekly update. This week from marketing here's what I did. Here's what I did for example to be a better leader this week." Those are the types of emails? Like, just kind of casual paragraph about each thing or is there some sort of a template that they follow? Is it very structured?

Farooq Kathwari: Well, they have to follow, as I said, they have to first talk about talent. They will say what have they done, to put down a new thing they may have done in terms of getting new talent, motivating talent, so they talk about that. Then they talk about marketing. Now, depends on what area of the business it is. If it's somebody who's running our retail enterprise or in marketing, they will talk of the marketing that they have done. If it's somebody who's running our manufacturing in Vermont, they will talk about marketing. You know, "I had a meeting with a Chamber of Commerce, I had a meeting in terms of telling people about some of the things the company is doing." So it all depends what area they are talking about. These are very specific ideas. They have to talk about what they have done. When they talk about service, our manufacturing folks talk about what they have done to improve ecology. What specific steps, because they cannot generalize. It's every week they have to do, sometimes it's a sentence, sometimes it's a paragraph. And if it's in our logistics, they talk about how they are delivering.

Then I ask our retail to give what I call Wow Stories. W-O-W. Wow. Interestingly, I have approximately, I would say 40 management from retail who report. At least 40, maybe 50, maybe the total number I get is 80, I've lost count. They write stories about how a customer has been wowed. And amazing stories. Stories about the fact they worked with a client, they went to their home, sometimes they even helped them with their children, sometimes they helped them in other areas. They performed a great service. And then these Wows, I think if you go to our website some of those are also placed there. But I most probably get, on an average every week, I would say at least a hundred Wow Stories. They've become a bit of the culture. Culture is to wow a customer, so the retailers talk about that.

Our manufacturing folks will talk about all these five things in the way they are talking about. Their question of quality is they have improved quality in manufacturing, they have improved deficiencies. So they refer to all of those things. But it really is a great... and people take so much pride. You would think that after week after week they will stop writing two pages or a page. I'm amazed that most of them write at least a page to me every week.

Jacob: What about the other employees. For example, you said that you get around, I don't know, 60-80 of these a week. But there are around 5000 employees. So what about those other employees? Do they get to hear these stories, do they see any of this, or what do you do to kind of engage them and share some of this with them?

Farooq Kathwari: Yes, a good question. Some of this is shared, and I think we should share more now that I'm listening to you. This is also put in, a lot of this information is put into our own internal website. We have an internal website which is then available and accessible to all our associates. Most of these Wow Stories are put in there because I want folks in manufacturing to see, in operations to see, because they're deeply involved in with helping it. So internally, our internal website is a very, very vibrant communications which is accessible to all our people.

Jacob: Do you ever get an email from a leader who says they didn't do anything that week? And if so, how do you respond to that?

Farooq Kathwari: Well, there are times when some people will write a very short response. No, I basically thank them because I don't want them to be forced to write stuff or make things up, so I leave it to their judgment to say. Sometimes it's very short and sometimes very long, especially when those who were involved with retail, marketing, technology. They have a lot to say. Some areas I get half a page and some I get two pages.

Jacob: You mentioned that you always praise first. What happens if you have an employee that isn't doing well, or a leader that's not doing well, and you need to either give them feedback or criticism that's not positive? Do you have a certain way that you approach that, that you think is pretty effective?

Farooq Kathwari: Well again, as I said, the people who do not report to me I generally praise them and I expect the people that are their supervisors will focus on issues that are in those reports. For they all get reports. All the supervisors get a copy of the report. So they all know what they are sending to me.

Jacob: I mean not in the report, just totally separate. So, for example, let's say you just have a leader or an employee of Ethan Allen that you know isn't doing well. They're not performing well. How would you handle that? How do you give them that criticism or that feedback that they need to improve, but do so in a positive way that doesn't make them feel bad?

Farooq Kathwari: Absolutely. I mean I have to do that, I've been doing for a long time. And I also have had to make tough decisions of letting people go. That's my job, that I've had to change people. And when I feel people aren't right, I've tried very, very hard to treat them with dignity, even if I have to let them go. I've had to do that many, many times over. But people have to be told, and I do. Those folks who report to me, I am pretty straight forward. I tell them that they've done a lot of good things, but these are things they better improve, and if things continue that they don't improve, I give them a warning. And then I also may take steps to terminate them, which I've had to do.

Jacob: So you believe in a kind of straight forward, honest approach, instead of trying to sugar-coat it and spin it?

Farooq Kathwari: That doesn't help. When I think you have to be sensitive is this. That if people are doing good things and they have issues, you've got to recognize both. Otherwise, all you are doing is criticizing them, and most people take that negatively. Now, if the only thing they're doing bad, then they should not be around.

Jacob: Fair enough. I wanted to ask you about something you touched on earlier. I think you said it was Bloomingdale's, when you were doing those crafts and you called Bloomingdale's 10 times or 15 times and you kept getting told no, and finally that person met with you. I feel like in today's world a lot of people get told no a lot, and when they get told no they get discouraged right away. So, you know, you apply for a job, you don't get it, you get upset. You try to complete a project that doesn't go well, you get upset, and you feel like it's the end of the world. But I thought maybe you could talk a little bit about this importance of perseverance, of how to deal with a situation when you get told no, or when a door gets closed in your face. Like, how do you go back and keep trying again?

Farooq Kathwari: Well, you're right. It is like, for instance, when I talked about Bloomingdale's, Marvin Traub the chairman... Bloomingdale's is a very well-known merchant... 10-12 times they said no. You've got to not take it literally, you've got to keep on trying. And interestingly, I have found that when you keep on doing it, most of the time people will give you a chance. I think that's something that people have to understand and recognize.

You know, I worked hundreds of hundreds of folks who work at management level. We have a hundred people in our retail division. And that by itself was quite a challenge because when I took over, most of our retail was run by independent retailers, not us. Then they started retiring. So we had two options, go and sell our products to somebody else, or create our own network. I said, "Who's going to run it?" I said, "Entrepreneurs, and we're going to take them from within."

So my philosophy for the last 40 years has been like that of the military. Take a sergeant and make him a major. Take a major and make him a general. That's the first thing I do before going somebody from the outside. We do that too, but I rather prefer taking our soldiers and give them the opportunity of growing up. And that has worked extremely well. Now once in a while, you know, 10% of the time it doesn't work. But 90% of the time when you take people...

I used to wonder why the founder of Ethan Allen gave this 30-something the opportunities that I got. And he had a hundred executives here at Ethan Allen. Then, later on, I realized that I would not just bring a problem. When there was an issue, I would look at it and say, "This is a way we should solve it and I'm going to do it." And I did it. Now I realize that after all these years, that the talent that we have, that those who not only talk but do it are the ones that will do well. And that's an important lesson for folks. Just don't sit around, that somebody else is going to help you do it. Look at the problem, come with a

solution, and then say, "This is the way I'm going to do it," not be a consultant, say, "Here's the solution, you do it."

Jacob: Sorry. "Don't be a consultant," I like it. What happens if you do that and you fail?

Farooq Kathwari: Well, you know, I also get the message across that we are, from time to time, going to fail. For instance, I've had, using a mountain as an example, I use that all the time. I say, "The mountain teaches you that you climb. And if you go too far, you could fall, you could get water in your lungs. You've got two options. Keep on going and die, or come down, stabilize, and go up." I've had to make many changes where I had to take people's responsibility away. Now, people don't like to give up, because they think it's a failure. It's not easy for people to give up. But, I have in [inaudible] or here at Ethan Allen the culture is, if you come down, it's not a failure, it is to stabilize, and you going to go up again.

The other thing I'll tell you is this, which is something that I have used, that 40 years back we had little kids and we decided that I wanted them to play in the mud. So I bought a farm in the Hudson Valley. A dairy farm and orchards. The dairy we couldn't keep, but we kept orchards. I wanted us to grow, beautiful place, one of the best things we did. So we did orchards, and this farmer who worked with me, he taught me a lesson. He said, "You know, we have to trim these trees every year. But if you trim them too much, you're going to kill the tree." It got into my head. So I said, "Yes, trimming is okay, whatever you do, but don't trim it that you're going to kill the tree." And lots of businesses, even countries, trim so fast and they kill the tree.

Jacob: I love that analogy. You're right. I think a lot of organizations do do that and it's not very healthy for them. You've talked a lot about this idea of thinking like an entrepreneur, and it's kind of been a theme through some of the discussions that we had. How do you encourage that kind of thinking from your people? So let's say somebody is listening to this podcast, they're a leader at a company, they would love for their employees, for their team members, to have this kind of an entrepreneurial mindset. Is there anything that they can do to help encourage their people to think that way?

Farooq Kathwari: You see, as I said, we have entrepreneurs running our business. We have a sawmill up in northeast Vermont. Sawmill's a very different business than running a store in Atlanta or Manhattan. So our philosophy has been, and that was something that I really believe very strongly and gotten it across, we are entrepreneurial and disciplined. A lot of folks are just entrepreneurial but no discipline. And there are folks who are so disciplined there are no entrepreneurship. The responsibility of leadership is to create an environment where you teach, preach, practice entrepreneurship in a disciplined manner.

Like, for instance, when we had all of our independent entrepreneurs running Ethan Allen stores, 250 of them, we had 250 different messages. West Coast had different message East Coast, and all that stuff. I believed, again as I said,

my background was running a cricket team with one philosophy. So I've got all these folks with more experience than me and everything else, I said, "We must speak with one voice." They said, "What are you talking about?" I said, "Let us not have all these different advertising, different names on our Ethan Allen stores." It was not easy. But, in five years time, we were able to create one unified structure, but we had to take certain major risks.

Farooq Kathwari: For instance, our pricing in West Coast was different than Texas or East Coast, because most of our plants were in East Coast. So what we did was I said, "We're going to deliver our products at one cost nationally." Not been done. Still not been done. Now this is about, close to 30 years back. And the result was major. We created a business model which was entrepreneurial and disciplined. Now that is a very fine balance that has to be practiced. If you keep it completely entrepreneurial, it could be chaos. If you keep it so disciplined, you take away people's vitality and entrepreneurship. So this is a balancing act. And that's the job of a leader.

Jacob: You have employees who work in a lot of different areas. You mentioned sawmills, you have some people who are in corporate, you have some people who are in retail stores. So lots of different types of people who are working for Ethan Allen, and they all experience the brand and customers in probably different ways. So how do you keep the culture, I don't want to say the same, but how do you keep everybody engaged and empowered? How do you make sure that all these different types of employees are aligned and are happy with the work that they're doing?

Farooq Kathwari: Yeah, it is a process. For instance, one of the other things I do, and I mentioned about these emails, but almost every Monday, at least two to three times a month... it's something so simple I should have done it many years back... but anyway, we are doing it for some time now, which is I will conference call with 150 of our leaders every Monday, every other Monday now, including our independent entrepreneurs. And some of the key leaders talk about these five principles I talked about. Now, this is about 150 to 170 of our leaders every week on a conference call. Now I realize that many years back we used to spend two, three days traveling here to Connecticut and our headquarters, to talk of those five things, and then they would go back. Now with technology, and in this case it's a conference call like we are talking about now, we could do videos and all that but, you know, it makes it more complicated.

Week after week I have, again, I think 30-40 of our leaders from all different elements, they are talking about the five principles. Somebody who is running our operation in Honduras, in Mexico, our folks who are in California, wherever, the leaders, they're talking about it constantly of what they have done. So, to get this across, it's a campaign. It has got to be done, not just once. I did it every week.

Jacob: So the consistency sounds like it's quite important.

Farooq Kathwari: Exactly, and then, people buy it in because others talk about. It's not some consultant coming in and giving them a lecture. They are the ones who've got to talk about it week after week.

Jacob: Yeah. You shared a couple interesting practices that you use, either with some of these messages that you keep in your wallet or the reports that people send out to you every week. I'm wondering, are there any other practices that you do inside of Ethan Allen, or the company does, that you think are unique, that you want to share?

Farooq Kathwari: Well, you know, this question about having a discussion every week after week with as many people as we do, I think is unique. We ourselves didn't do it. We had lots of communication, but we realized the simplicity of having people talk about, in this case, five different principles week after week. That gets the message across. It's amazing, what it does is, like we have a big fairly major operations in North Carolina. The management over there also take it and discuss it with their teams. Our folks in the retail, they talk to their teams. So it becomes a part of the culture, and it is a discipline. It cannot be done with just some one communication going out. It has got to be like a sports team. Our motto in Kashmir sports team was, "You're either playing or practicing." Studies won't hurt. But anyway, so same thing at Ethan Allen I say to everybody. You're either playing or you're practicing. And you know what? If you talk to folks, they understand the terminology.

Jacob: I like it. Either playing or practicing. I think that's a good way to think about it. I'm curious, when you think about the future, what are the skills that you think are going to be most relevant for the workforce, and even for employees inside of Ethan Allen?

Farooq Kathwari: Well, first of all, you know, we are now living in a diverse world. Diversity is important. Diversity in people as you mentioned, coming from many different parts of the world. Diversity in the workforce between male and female, that has changed. 70% of our leadership in retail is women. When I joined it was zero. Now, having said this, I do not see anybody as a man or a woman, male or female. I look upon them as professionals. So that's a very important change, that more and more you are not looking upon the fact that because, is it male, is it female. No, they're leaders. So that's tremendously important.

Second is the issue of technology. Technology is changing all our lives. It is changing the workforce. Look at our headquarters here in Danbury, Connecticut. Thirty years back we had twice as many people as we do today. It's technology. We had a tremendous amount of folks punching cards, doing accounting, bookkeeping, design on hand. Today, technology and becoming knowledgeable about technology is a tremendously important talent that you need.

We need to today also understand the flexibility of people. That people today have to balance family and work. I'm very tough in the sense that people got to

work hard. But, if they have a family thing, their child is sick or they've got to do, we say go ahead and do it. Its amazing. I insist they go ahead and do it. The same person works twice as hard because the fact they have been treated, I would say, with dignity, and they have been given that opportunity. Hardly anybody leaves us. I have people here working... my fellow who drives me has been working for me over 35 years. And if you go around the headquarters here in Connecticut you see people here 30, 40 years plus. Of course, we have new people too. People want to work where they are treated well, with dignity, and they work hard. But their leaders have to work hard. If the leaders don't work hard, people are not going to work hard.

Jacob: Yeah, it all starts with the leaders. I think that's one of your principles, right? Lead by example, principle number seven. If you want that from your employees, you have to be the first one to step up and show it. Maybe one more question for you before I have some kind of fun, rapid-fire questions. And it's about technology because this is usually a very, very big topic that comes up. You touched on it a little bit in your previous statement. Are you optimistic about the future of technology and the role that it will have in the workplace? Or do you see that there's going to be more problems and job automation?

Farooq Kathwari: You know, there's always two sides to everything. Something that is great has also issues. The technology has brought in tremendous amount of benefits but has also created issues. It has created unemployment. It has created challenges with folks who are somewhat older in age who've become somewhat not relevant. So those are the issues to contend with. But, the fact is, we're not going to change it. Technology is part of life, and my perspective is how do you bring in technology while maintaining dignity of people? Now don't have technology be the boss, not run our lives. So I think that's a balancing act that leaders have to understand. While technology is important, how much should it be impacting the way people work, the lives of people and as we move forward, that is going to continue to be a challenge.

Jacob: Yeah, the balance is crucial. Well, just a couple of fun, rapid-fire questions for you, just so people can get to know you a little bit better.

Jacob: Starting off with, what has been your greatest business failure?

Farooq Kathwari: Good question. You know, business failures have been more some initiatives. For instance. going to some countries and it didn't work out and then we said, "Okay, we come back." I think that it is more some initiatives rather than failures in the sense.

Now, it depends what perspectives you're coming in. We are a public company and that raises it's own challenges. It is very much a challenge when you say you're going to only run one business, one enterprise, and you're not going to grow by buying other companies. Most companies grow by acquisition. We have not done it because I like one team and that, as I said, on one hand is positive, but you could also say that Ethan Allen, we could be 10 times the size. So

perhaps that's a failure because we have not followed the path of buying companies for the sake of buying companies, and worrying more about our stock price than worrying about the stability of our company. You know, we've been profitable for 86 years, every year. Last year we increased our dividend by 55%, to \$47 million dollars. But our stock price didn't do well because we were not increasing our sales by buying others or growing crazy and making no money. So I would say that it's a question about perspectives.

Farooq Kathwari: So I would say that it's a question about if you, I wouldn't call it a failure, but it's a question of fact. Our strategy is run one business, even if it's relatively small, but make sure it's healthy and profitable.

Jacob: What's your most embarrassing moment?

Farooq Kathwari: I'm thinking. I'm just trying to see.

Jacob: I know, a lot of people don't think about these things.

Farooq Kathwari: No, I know they don't, I'm just thinking about the fact that so many small things that you're embarrassed with. I'm just trying to see anything big that comes to my mind. No, you know, I've had good fortune of working closely with three, four of our US presidents. I have spent time in some conflict resolutions and all of those things. So, you know, there's a lot of things that one, perhaps, is embarrassed in a small way, but I don't think in any big way that I can think of.

Jacob: Okay. What are you most proud of?

Farooq Kathwari: Well, I'm proud of our family. I've been very fortunate that I've got a great partner. My wife is a wonderful person. I met her in Kashmir when I was a student, and then when I came here I didn't have the papers, as I was given a stateless status. So I couldn't, for some time, go back, and I knew she was going to be out of college and getting married. So I was very innovative, I'm really impressed, and we got married over the telephone.

Jacob: Wow. Over the telephone?

Farooq Kathwari: Right. And you know, she is actually coming back tomorrow from Kashmir. She was there with us visiting the family, and then we have wonderful children, and I've got now four great-grandkids, I'm very, very proud of them. And I also have been very fortunate to have two beautiful cats. The current one I named Pashmina. For 14 years she has been my friend. And before that, our cat was named Taz for fourteen years. So somehow I like cats and they like me.

Jacob: Hey, I don't judge. I have dogs, but hey, cats are cool too. What is your favorite business or non-business book?

Farooq Kathwari: That's a good question. I think obviously, right now, it's my own book that I just wrote. So I would say that's my favorite book right now.

Jacob: Okay. And last two questions for you. Who's the best mentor you've ever had?

Farooq Kathwari: That's an important question. I would not be here without having lots and lots of people helping me. The first was the CEO of the Rothschild company. His name was John Burkland. He recently actually, just a couple of months back, he passed away. He was a tough, tough character and I was this young person who had the audacity to speak up to him and tell him that, which is in the book... maybe it's in the book, maybe not... he used to speak very loudly. I said, "Mr Burkland, I don't like that way." He was shocked. But I tell you this, he helped me so much.

Then Nat Ancell, the founder of Ethan Allen, he was an amazing, amazing person. He was a great entrepreneur and he took me in under his umbrella. I was obviously a little bit of a maverick, but he took that and he helped me and he had a great courage to take this young person named Farooq from a place like Kashmir and give him the responsibility of running this iconic brand, Ethan Allen.

Jacob: And the last question for you, if you were doing a different career, what do you think you would have ended up doing?

Farooq Kathwari: You know, whatever I did do, I would have been a captain. It didn't matter whether it was sports, whether it was farming. But certainly, somehow the elements of design and craftsmanship is part of my blood, which I did not realize when my family sent me those 12 wicker baskets. I didn't realize they were getting me inducting into this whole area. But I would most probably have gone into sports.

Jacob: Very cool. Well, where can people go to learn more about you or Ethan Allen? You mentioned your book is available in September. It's called Trailblazer, and I'm assuming that'll be available wherever books are sold. But anything else that you want people to know or to check out?

Farooq Kathwari: Well, if they want to, obviously, I do have a website called FarooqKathwari.com. They can get more information on it. Ethan Allen has been part of my life for most of my life so EthanAllen.com has a fair amount of information as well.

Jacob: Well, thank you so much for taking your time out of your day to join me. I learned a lot, and I hope everybody enjoyed the conversation. So thank you.

Farooq Kathwari: Well, it's a pleasure, and good to talk to you.

Jacob:

And I will see all of you next week. My guest, again, has been Farooq Kathwari, the CEO of Ethan Allen. Make sure to check out his brand new book called Trailblazer, and I'll see you next week.